HE UNIVERSITY OF CHICAGO

ROUND TABLE

# THE STATES AND POST-WAR AMERICA

*A Radio Discussion by* JOHN BRICKER
J. MELVILLE BROUGHTON, HERBERT O'CONOR
LEVERETT SALTONSTALL, *and* MAYNARD KRUEGER
*and*
EIL JACOBY, LOUIS WIRTH, *and the* ROVING REPORTER

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# *Around the Round Table . . . .*

JOHN W. BRICKER, governor of Ohio, received both his A.B. and his degree from Ohio State University. He served as assistant attorney-gen attorney-general, and a member of the Public Utilities Commission in C In 1939 he began his first term as governor and was re-elected in 1940 on Republican ticket for a second term.

J. MELVILLE BROUGHTON, governor of North Carolina, gradu from Wake Forest College (North Carolina) and studied law at Har University. Before he began practicing law in Raleigh, he worked for sev years on the *Winston-Salem Journal.* In 1927 and in 1929 he was electe the North Carolina State Senate. He is now serving as the Democratic ernor of his state on a four-year term, 1941–45. He is the author of sev pamphlets: *The Legal Status of Women in North Carolina; The Langua the Law* (1936); and *Social and Economic Aspects of Trusts* (1937).

HERBERT R. O'CONOR, governor of Maryland, graduated from Lo College (Baltimore) and received his law degree from the Universit Maryland. He has practiced law in Baltimore and served as state's atto for the city, as well as the people's counsel to the Public Service Commis and as attorney-general of Maryland. He has been governor since 1939

LEVERETT SALTONSTALL, governor of Massachusetts, received his A.B. and LL.B. degrees from Harvard University. He practiced la Boston and served in various community and government capacities was a member of the Massachusetts House of Representatives from until he became governor in 1939, and he served as Speaker from 192 1936. He is now the Republican governor of the state.

MAYNARD C. KRUEGER, assistant professor of economics at the versity of Chicago, studied both history and international politics be specializing in economics. He completed his undergraduate education at University of Missouri in 1926. After receiving his A.M. from that ins tion in 1927, he joined the staff of Albion College as an instructor in hist He spent three years in Europe studying at the universities of Paris, Be and Geneva. From 1928 until he joined the faculty of the University of cago in 1932, he taught in the School of Finance and Commerce at the versity of Pennsylvania.

# THE STATES AND POST-WAR AMERICA

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## *Broadcast from Columbus, Ohio*

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MR. KRUEGER: Every place where totalitarianism comes to power the autonomy of local government goes out the window. Here in Columbus, this week, we have more than forty governors, all meeting at the same place at the same time. There should be some hope in this meeting for the future of state and local government in post-war America.

Governor O'Conor, you are chairman of the National Governors' Conference. Will you tell us a bit about what this conference really is?

GOVERNOR O'CONOR: The National Governors' Conference, now assembled for its thirty-fifth annual meeting here in Columbus, is composed of the chief executives of the forty-eight states, almost all of whom are expected to attend these sessions. The Governors' Conference is a member organization of the Council of State Governments, which also includes a number of other state organizations. The two bodies not only coordinate the official action and planning of state officials in relation to purely state problems, but also in times of emergency, like the present, they serve in effecting the fullest cooperation with the various agencies of the federal government.

MR. KRUEGER: What sort of cooperation between the states and federal government has there actually been, Governor, during the war?

GOVERNOR O'CONOR: In the fall of 1941 it was the governors who, at the request of the President, promptly set up the Selective Service System in each state. The whole personnel membership of the state and local boards is determined by the governors, although the final commissions are issued by the President of the United States.

When the rubber shortage got serious, the states were requested to act. They did act. Within three weeks the tire-rationing system was completed. There has been a similar system with sugar and with rationing in general.

On the home front, almost a year and a half before Pearl Harbor, the states undertook to establish councils of defense and to replace the National Guard then being inducted into the federal service, by state guard units. This state-instituted system of handling civilian defense, by the way, is still the national system in this sphere.

MR. KRUEGER: That's very interesting. Now, Governor O'Conor, tell us if the states are really concerned about post-war problems?

GOVERNOR O'CONOR: They certainly are, and they have been for many months. The Council of State Governments, at the direction of the states, has been working on this problem, and four regional conferences have been held in various sections of the country to discuss the question with representatives of all forty-eight states.

As a result of these regional conferences, an Interstate Committee on Post-war Reconstruction and Development, headed by members of the Governors' Conference and with representation from all sections of the land, is now actively functioning. It held its organizational meeting a few weeks ago in Chicago.

MR. KRUEGER: But the problems of post-war America may be as serious as those of wartime America or depression America. Do you believe that the states can really handle such problems effectively?

GOVERNOR O'CONOR: Past accomplishments of the states in the furtherance of the war effort give new evidence of the fact that projects of a country-wide nature—be they post-war or immediate—can be completely effective if handled through state channels. Knowledge of local conditions is imperative in such undertakings. Furthermore, the localization of authority eliminates lost motion and makes for economy as well as for efficiency.

It is with this basic thought in mind that the states are preparing the groundwork now for the handling of post-war activities through the states themselves rather than through centralized bureaus in Washington. Any such program can be fulfilled within the framework of our time-tested constitutional setup whereby the dual sovereignties of federal and state governments are maintained and adapted for joint cooperative action.

MR. KRUEGER: That is certainly a very specific and definite answer, but how far have you come in these four regional conferences toward any definite conclusions?

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GOVERNOR O'CONOR: So far we have reached these conclusions: First, that the major post-war problem will be to insure full employment of all who want to work; second, that the provision of employment in America is, and always has been, the primary responsibility of private industry and private initiative; third, that the job of state governments on this problem is to support and implement the efforts of private industry and to supplement them with public works when necessary.

It has been said that the lesson we learn from history is that we learn nothing from history; but, having sensed the attitude of these state representatives who participated in the regional conferences on post-war plans, I can promise you that the states have learned from the bitter experience of the depression years following World War I. We are convinced that sincere, open-minded, and energetic application now to the problems that can be expected to present themselves in the war-to-peace conversion period ahead can accomplish very much.

With such advanced thinking and planning, the forty-eight states and the federal government, we are confident, not only can avoid the economic chaos that resulted from World War I but also can so order the national economy as to achieve the full measure of improved living conditions stemming from the marvelous scientific advances made under the spur of this war's necessities.

MR. KRUEGER: Before we go ahead with any cross-questioning among the governors here, let us turn to Governor Saltonstall of Massachusetts for a few minutes.

You have said, Governor O'Conor, that the problem of employment is going to be a very serious problem for the states in the post-war period. You have something to say about that, haven't you, Governor Saltonstall?

## *The States and Employment in the Post-war Period*

GOVERNOR SALTONSTALL: I certainly have. Jobs in private industry for all who are able to work are the surest solution of post-war problems and the best guarantee of our system of living. Sir William Beveridge, who was sitting next to me at lunch the other day, said that nothing in his, or in any other, social security program could take the place of jobs in private industry. Public works may be necessary for a time, but at best government projects will be a stopgap, and at worst they cannot provide enough jobs, quickly enough.

The first three to six months after "V-" or Victory Day will be the most critical. Decentralized planning by private industry now is the only sure measure to prevent employment from being too little and too late.

I can best tell you what I mean by describing what one company actua has done. Last October, the president of this concern formed a post-w planning committee, comprising himself, the vice-presidents in charge of pr duction and distribution, and the treasurer. General suggestions were invit from twenty-three selected men, who constituted the active management among them wholesale and branch sales managers, manufacturing super tendents, designers, engineers, new-products men.

First came the "what" questions. These men were asked detailed qu tions as to what products should be made after the war. As a guiding poli the committee decided to think of the individual products which the co pany could make. Then they estimated the probable volume of sales each. From those figures they built up the total sales possible for vario groups of products.

They also asked themselves how many jobs they could provide. Th concluded that they should seek to employ about 175 per cent of pre-w normal. Surveys showed that the war had boosted the number of work 100 per cent. About 25 per cent of the pre-war pay roll were in the arm services and had a right to expect their jobs back. This was offset by t fact that 50 per cent of the new employees would probably leave the co pany voluntarily after the war to go to peacetime pursuits, such as salesm store operators, and housewives. This left the net figure of 175 per cent, a the company hopes to reach that goal by this advance planning.

The company also decided not to let its physical assets be too much c limiting factor on what they would seek to accomplish. The next step was study the problems involved for each item, so that a wise choice would made in drawing up the post-war line of both established and potential pr ucts. Many old products were investigated as to possibilities for improv quality, production, and distribution. The executives agreed on the need engaging in research of all kinds. Similarly, they suggested that the co pany should get into a branch of the plastics industry with which it was ga ing experience in its war production.

The committee, after concluding with the "what" question, subsequen tackled the "how" question—such as how shall we produce and how shall sell? The third question was "when." Even though the answer depends nally on the length of the war, the committee is convinced that some st can be undertaken immediately without interfering with war work.

Sufficient progress has been made to convince the company that the effo have been well worth while. The program has caught the imagination of the personnel, from the president to the machinist. Incidentally, the coope tion stimulated among the different departments has actually increased output of war products.

There is another important source of jobs in the critical months immediately after V-day—that is, deferred maintenance and repairs. One Massachusetts firm assigned a full-time engineer to prepare detailed plans for action as soon after V-day as material and workers are available. This company, which is not large, is planning to spend one million dollars on this program alone.

If industry, large and small, distributor as well as manufacturer, will tackle the job as have the two companies I have just described, then we shall win our post-war battle without suffering a blow.

The function of the states, as I see it, is to stimulate and assist private enterprise in these preparations. Almost two years ago we appointed a post-war readjustment committee in Massachusetts to do just this.

Jobs, unlike Topsy, won't just grow up. We must work hard to create them. If this country can go all-out for war, it can go all-out for peace. So let us tackle our peace problems with the same fighting spirit that is speeding forward to victory.

MR. KRUEGER: Your notion, Governor Saltonstall, of the relationship between private industry and action of state governments in planning is one that we might have a bit of conversation about during the last few minutes of this program.

But now, let us turn to Governor John W. Bricker, of Ohio. You have some ideas, I know, in the field of state finance. If there is anything you want to add on the question of employment, go right ahead.

## *The States and Fiscal Policy*

GOVERNOR BRICKER: I am mighty happy to respond, especially in view of the fact that we are talking about plans for post-war employment and rehabilitation. Plans are of no value, though, unless they can be put into effect. Many blueprints are gathering dust, unused, today. When men and women need jobs, a plan cannot help unless there is money provided to hire them for such jobs.

With the federal war debt mounting to incomprehensible heights, state and local governments may well expect to carry the larger part of any unemployment relief program incidental to the transition from wartime to peacetime production. Anticipating that need, which we hope will not be a grave one, state and local governments must put their financial houses in order and get ready for any contingency. Putting their houses in order means sound tax laws, sound fiscal policies, and orderly and efficient government.

Many states have paid off their debts and now have surpluses. We have

here in Ohio twenty million dollars set aside and earmarked for a welfare an educational building program to begin as soon as the materials are availabl Plans have been completed by the state architect's office for these develo ments. In addition, we have in the Treasury of the state a net surplus fifty million dollars. This is equaled in other states of the Union. This w also be available for various needed appropriations. However, if unemplo ment becomes extensive, the states can provide but a small part of the nece sary employment.

We have authorized here (as Governor Saltonstall noted they have do likewise in Massachusetts) a post-war planning commission. This commi sion will study not only state building needs and employment possibiliti but also local problems throughout the state and local programs of buildin We shall need public buildings, water-purification plants, sewer extension parks, and many other constructive public developments then.

A coordinated program ought to be worked out through this state o ganization to give the greatest employment with the most constructive ben fit to the public. But let us not forget at any time that such a program oug to be practical if it is to be effective. The "leaf-raking" and the "boondo gling" must not be brought back. Not only is this a useless expenditure money, but it is not constructive so far as labor itself is concerned. There and will be, a serious need for public buildings and especially for public roa They will have to be rebuilt. We may also be building runways and sic strips to take care of the plane traffic when the war is over. Incidental to t program, we have set aside a great deal of money from the general reven fund to help in the rehabilitation of the roads when the war is over. B this is only a small part of the need for re-establishment of our highwa after military hauling is ended. It is altogether likely that the income fr gasoline and automobile taxes will be larger than ever when the war is ov

The federal tax levies are very heavy today and will continue to be heav and heavier. But it may be there will be a federal program of public wor If so, such a federal program and federal money ought to be spent throu local government authorities in a coordinated program. There should ne again be superimposed upon the local authorities the costly and bureaucra federal method of spending money in the local communities that we ha had in the past. In such a post-war program the local government, which close to the needs and desires of people, should be strengthened. It sho be charged with the responsibility and held accountable for the faithful p formance of that responsibility.

Great employment can never be wholly met by government employme Government employment should be only a shock absorber to take up

slack necessary to prevent suffering. The government's greatest service in the period of post-war transition and rehabilitation can be in implementing private industry, as Governor O'Conor emphasized a moment ago. Here lies the hope of a prosperous tomorrow. This can be done in many ways, especially through sane legislation and constructive tax laws, which will encourage venture money and protect expanding business.

The public interest, of course, must be protected through government regulation. Such regulation is consistent with the constitutional program. But public interest does not require that the government enter into competition and, by the use of the taxpayer's money, deprive him of the right to enter into business himself or to use his own money for that purpose.

Government aid must be given to business if prosperity is to be ours and if undesirable fluctuations of the business cycle are to be avoided. That cannot be confined to industry in a narrow sense. It extends to all areas of employment—agriculture, wholesale and retail establishments, transportation—and to every place that service is rendered or goods are produced.

Therefore, the states' greatest aid can come in putting our financial houses in order through constructive legislation, through sound taxation and business regulation, through government encouragement to private business in every field, and through a well-conceived and well-executed program of public building and public works when once the war is over.

MR. KRUEGER: Let us now turn for a moment from Governor Bricker, of Ohio, to Governor Broughton, of North Carolina. You have something to say, have you not, Governor, on the problems of administration of these public services?

## *Public Administration in the States*

GOVERNOR BROUGHTON: I have, and I am very glad to do so. The states of the American Union should come out of this war stronger and more vital than ever before. Only two things, both now in evidence, are essential to this all-important result. First, the states must resolutely and unitedly insist upon the restoration of those rights and privileges necessarily or arbitrarily taken from them during the emergency and war period. Second, with equal zeal, the states in their public service must measure up to the challenge of the new day that will follow victory and peace.

Ancient privileges and constitutional rights, even though further restored, will have a hollow sound if not geared to the needs and aspirations of the people. The so-called "American way of life" under constitutional government is but an idle phrase unless interpreted in terms of employment,

education, public health, fair wages, decent living conditions, prospero agriculture, and sound social security.

Do the states have a program that will meet these human and element needs? Are they intelligently planning for these post-war conditions? If n they will have only themselves to blame if federal expansion continues in its bureaucratic manifestations.

It is futile to say that free or private enterprise will take care of the situ tion. So-called "free enterprise" did not save us from the greatest depressi of all times, just ten years ago, and cannot solve all the problems that w inevitably follow the war.

This is not to disparage free enterprise. Its achievements have be magnificent, and its place in American life ought to be secure and perm nent. Enterprise, supported by private capital and initiative, ought to free in a very large sense—free to grow but not to monopolize; free to ga but not to exploit either labor or the public; free from government cont but subject to sound regulation in the public interest.

Few sound-thinking people, either in public or in private life, doubt th there will be a vast problem of unemployment after the war. It cannot solved by business and industry alone. It should not be solved by gover ment alone. Private industry, with typical American courage and resourc fulness, can and will do the biggest part of the job, if not hampered by u reasonable and unnecessary governmental restrictions or interference. Loc state, and federal governments must cooperate in doing the rest. We canno we dare not, run the hazard or suffer the injustice of converting an army victory into an army of unemployed.

Are local, state, and federal governments to stand by in uncommunicati wistfulness until the impact of the event strikes with bewildering forc Such an attitude would be comparable only to fighting this war allied power but divided in purpose or responding with an encore of isolationis to the appeal of a war-wrecked world. Tragic disillusionment will follo either course. Surely, we have the intelligence to foresee events; we mu have the courage and statesmanship to plan for them.

Many states have already done wise planning for coming events. In m own state of North Carolina, as Governor Bricker has indicated is bei done here in Ohio, we have set up, out of surplus funds, a post-war reserve fu of twenty million dollars, which is already invested in state and governme securities and which is to be supplemented by approximately fifteen milli more next year. In addition, we have provided a fund of fifteen million do lars, which will be available immediately upon the end of the war, for hig way construction.

A planning commission, implemented with funds and free from "crackpots," has been set up. Local units of government have, by statute, been authorized to set up reserve funds for post-war work of an essential character. Our unemployment compensation reserve fund has a surplus reserve of over sixty million dollars. Business and government together in North Carolina are trying to be ready for post-war problems without having to look to the federal government.

Undoubtedly, the federal government should and will be prepared to carry on in moderation a cooperative program of public works. But it should in truth be cooperative and should in fact involve honest and constructive work. There is no proper place in national policy or American character for doles, gratuities, or handouts. The states and local units of government should be ready to cooperate on a basis of full participation in such public works programs.

Such in outline may well be the basis for federal, state, and business cooperation in meeting post-war problems. This is not a partisan or political issue. It is not a matter of an old deal or a "New Deal." Deeper than all this, there is involved the fulfilment of our national destiny.

Mr. Krueger: Now, gentlemen, I should like to put a question to you. It seems to me that there is a slight conflict of opinion here between Governor Saltonstall and Governor Broughton on the question of what the role of the state governments ought to be with reference to private industry.

I have the impression from your statement, Governor Saltonstall, that the state government is merely to stand by and encourage private industry to do these things; or is the state government to play a more active role?

Governor Saltonstall: I think that it can do more than that by stimulating industry. It can also make its tax laws, its laws on industries and labor markets, helpful in the times of emergency that will come after the war. It further can make its unemployment compensation laws cover cases which should be covered at this critical time.

Mr. Krueger: Here is the aspect of the question that bothers me. During the depression, I think, the state governments pretty largely sat back, and, willy-nilly, almost everything that was initiated was initiated by the federal government. Is that likely to be the case in the post-war period? If the states sit quietly, I would assume that the federal government will be doing almost everything. Is there anything to that?

Governor Broughton: I think that undoubtedly there is, unless we entirely change our approach and thinking. I think that too long we have been, as states, squawking instead of planning. In addition to that, we must

admit that a vast amount of federal expenditure—and I think an unnecessary part of it—has been due to the fact that we as governors, whenever problem arose, have been too ready to run to Washington and to he solve it by getting some federal funds. That cannot continue in the futur

MR. KRUEGER: Are there any exceptions any of you want to take to tha

GOVERNOR O'CONOR: I would just like to make this one observation an ask Governor Saltonstall how much he thinks that the unemployment compensation funds, which now in the aggregate do come to a very large sum will serve to meet the impact of unemployment directly after hostilities a over.

GOVERNOR SALTONSTALL: We believe in our state (and that is the on state that I can speak of authoritatively) that we have a sufficient fund run at least two years.

MR. KRUEGER: Governor Bricker, you were saying that you have a surplus in the state of Ohio. Taking all these surpluses together, aren't they pretty small potatoes compared with the size of the post-war problem?

GOVERNOR BRICKER: They are, yes. However, I think that, relativel the position of government employment is small compared to the total employment. The implementation of business and the encouragement of production of goods in the new life will be the great service that the governme can render.

I do not agree with Governor Broughton that the states have been large responsible for going to Washington for money. I think that the local governments have been more responsible for that. They have skirted the sta governments from Washington and from our political subdivisions within th state and built up a relationship there that the states must meet and fill if we hope to do our full job and maintain the sovereignty of our states.

MR. KRUEGER: Your impression is, Governor Bricker, that the states a really going to be able to carry a major part of the job?

GOVERNOR BRICKER: This conference here today, the conference of th governors here this week, assures me that we are planning for it and that th states can render a tremendously constructive service in meeting the shock whatever it is. I have great confidence that it can be done.

GOVERNOR BROUGHTON: Governor Bricker, there are those who go so fa as to say that, with the great public debt that we shall have when this war over (and we all agree that the public debt in wartime is inevitable), th federal government should cut off entirely such things as grants-in-aid. D you think that we could take any such position as that?

Governor Bricker: I do not think that we dare arbitrarily take any position until the facts are before us and the problems are here. Then we shall have to solve them, as you say, in a cooperative way upon the federal, state, and local levels.

Mr. Krueger: Gentlemen, it seems to me that you are pretty much in agreement in placing the primary responsibility for post-war developments on private industry. There also seems to be pretty general agreement in the role that you assign to the state governments in implementing and helping out private industry in the solution of the employment problem after the war.

The question of the relationship between federal and state governments is one on which I imagine there will be some further discussion during the second part of this program. Are the states going to take the major lead? Are the states going to show some initiative in working out these problems, or are they going to sit back and let the federal government show all the initiative?

This is the kind of question which my faculty colleagues, sitting around the Round Table microphones at the University of Chicago, will examine and discuss during the next thirty minutes.

# *Around the Round Table . . . .*

NEIL H. JACOBY, secretary of the University of Chicago and professor of finance in the School of Business at the University, did his undergraduate work at the University of Saskatchewan and for his graduate work came to the University of Chicago, where he was granted his M.A. and Ph.D. degrees. Under Governor Horner he served as supervisor of the Legal and Research Division of the Department of Finance of the State of Illinois, where he worked especially on the sales tax. Mr. Jacoby has had experience in private business as manager of the research department of the investment banking and counsel firm of Lawrence Stern and Company. He served as chairman of the Illinois Emergency Relief Commission during 1939 and 1940. Dr. Jacoby has written many articles and reports, and he has authored *Retail Sales Taxation* (1938) and *Inter-government Fiscal Relations in Illinois* (with Leland and others) (1938) and is coauthor of *Term Lending to Business* (1942) and *Accounts Receivable Financing* (1942).

LOUIS WIRTH, professor of sociology at the University of Chicago, received his Ph.B., M.A., and Ph.D. degrees at the University of Chicago. Professor Wirth has done social work in Chicago and served as director of the delinquent boys' division of the Bureau of Personal Services before he came to the University of Chicago to teach and later to become assistant dean of the social science division. He was a research fellow in Europe under the Social Science Research Council in 1930–31. Since 1935 Professor Wirth has served as a consultant for the National Resources Planning Board. He is the author of *The City* (with R. E. Park and others) (1925), *The Ghetto* (1928), *Our Cities: Their Role in the National Economy* (with others) (1937), *Urban Government* (with others) (1938), and *Urban Planning and Land Policies* (with others) (1939), and is the editor of *Contemporary Social Problems* (1939) and *1126: A Decade of Social Science Research* (1940). He is an associate editor of the *American Journal of Sociology* and a regular contributor of articles to various journals on sociology and social research.

The ROVING REPORTER is an experienced newspaperman and journalist and is a member of the University staff. His role on the ROUND TABLE is to represent not his own views on any matter but the expressions and opinions of the people whom he interviews—government officials, farmers, soldiers, taxi-drivers, and the like. He appears on the ROUND TABLE when a sampling or reporting of public opinion would contribute in clarifying the topic under discussion. The Roving Reporter first appeared on the ROUND TABLE on December 17, 1939, in a discussion of "Government and Business" and has appeared on various discussions, including, among others, "Have We Time To Think?" "Can Capitalism Defend America?" "How To Meet the Menace of Inflation," and "Is This a Conservative War?"

## *Broadcast from Chicago, Illinois*

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REPORTER: Jacoby and Wirth, we have just heard Governors O'Conor, of Maryland, Saltonstall, of Massachusetts, Bricker, of Ohio, and Broughton, of North Carolina, discuss the subject of "The States and Post-war America." Your intrepid Roving Reporter has been out interviewing statesmen as well as listening to them, and I shall try to present their views today.

Meanwhile, Jacoby, what seems to you to be the greatest issue raised by the governors?

MR. JACOBY: As far as I could see, the governors agreed on the idea that the No. 1 economic problem after this war would be employment. I was particularly interested in their views as to what part government should play as against private enterprise. They all seemed to think that private enterprise would be fine. It ought to expand. But then they went on to explain how important jobs on state public works would be.

MR. WIRTH: To me the most important issue raised by the governors is the question of what the division of powers and responsibilities is to be between the federal government and the state governments. It seems to me that on that question the governors were very ambiguous.

REPORTER: Let us get off with the statement by Governor Broughton that the American way means nothing at all unless through the American way we can provide decent minimum national standards of education, health, and welfare. Can the states do that job?

MR. WIRTH: I agree with Governor Broughton's proposition that that is the precondition for the preservation of the American way. We must provide a minimum of education, health, welfare, labor conditions, and so on in order to continue our institutions.

MR. JACOBY: Of course, the real issue is how high the minimum shall be. We also want a ladder of opportunity so that the average person can climb above this floor.

MR. WIRTH: Precisely. I think, however, that we should recognize that if we want to remain a nation we must put a floor under these conditions. Any state that wants to go above that floor and create a new ceiling for itself is free to do so with its own resources.

REPORTER: The first question we have here seems to me to be whether it is to be the states or the federal government which is to try to put the floor under every citizen of this country.

MR. WIRTH: When we remember that there are about one hundred seventy-five thousand different governments—local, state, and national—that are competing and conflicting and overlapping in providing the services that the American people require, we realize what a chaos we face.

MR. JACOBY: Back in the days of the depression, I recall that many needy people moved from certain states where relief standards were desperately low into other states where they were higher. People ought to be moving now in order to get better jobs, not merely to get better relief. That is a criticism of the relief standards that existed.

MR. WIRTH: I hope that we are not discussing the bugaboo of states rights here today. That question is over with. In some respects the states, I would say, are obsolete. They simply cannot do the job that modern life requires. There are other functions, however, that remain for the states, and they are ones that they can do exceedingly well. Those I would allow the states to retain.

REPORTER: Gentlemen, let us get back to this question of who can do what jobs. The question, it seems to me, is whether the federal government should compel, let us say, the children in the slums of our cities to drink enough milk, whether or not the local or state governments can afford all that milk. What about it?

MR. JACOBY: I think that it is likely—this is a question of fact, and the facts aren't clear—that we should wish as a nation to establish certain standards of education and health and possibly relief and welfare that some of the poorer states could not meet. In such a case the federal government will have to put up the money, especially when you recall, in an age when you cross the continent in ten hours and when wealth and individuals flow over the country, that the federal government can administer the productive taxes.

REPORTER: But when I interviewed Senator Robert Taft, of Ohio, we discussed the question of the ability of the poorer states to educate their children. Senator Taft thought that they could educate their children. When I asked him, "Well, what if they can but won't?" he said, "That's their funeral."

MR. WIRTH: I should reply to Senator Taft that the states that are exerting all the efforts that they can—the poorer states—to educate their children properly, are not doing better than one-fifth as well as some of the other

states in the Union. I should also disagree fundamentally with Senator Taft when he says that it's their funeral. It is all of our funeral, because the people from the poorer states are going to move into the areas of the richer states, and if they do they will be unprepared for citizenship in those states.

MR. JACOBY: Granting what you say, would you advise that the federal government itself take over those functions in those states and administer education and other public services?

MR. WIRTH: If the states fall down or if the states are too biased and prejudiced against certain citizens, on account of race, color, or creed, then it seems to me, in order for us to remain a nation, the states will have to give that function over to the federal government.

MR. JACOBY: I should be inclined to question that course of action. It seems to me that the federal government has acted wisely in other activities by making grants to the states, conditioned on the states' meeting certain minimum requirements.

MR. WIRTH: That, I think, is the proper, ordinary way of doing it, as long as it works.

MR. JACOBY: Wait a minute. That is an entirely different procedure than to have the federal government itself take over the function and administer it.

MR. WIRTH: I am not saying that the federal government should take all the functions of road-building and policing and schoolteaching and health services. I am merely saying that the federal government should see to it that the floor under these services—a minimum standard—is preserved.

REPORTER: Governor Bricker, on this special ROUND TABLE, said earlier, in effect, that he was against federal control of all functions of government, or almost all functions of peacetime government. Isn't the issue here whether the federal government shall impose certain levels of living on the states or whether the federal government shall help the states, if the states ask the help?

MR. WIRTH: Let me ask you, Mr. Reporter, who is the federal government? The federal government is made up of people like us around this ROUND TABLE. It is made up of the governors who spoke from Columbus. It is made up of a lot of people, and these people are no different from the rest of us. It simply means that through representative government we have delegated certain powers to our national representatives because these functions can best be done on a national basis.

MR. JACOBY: Yes, but there are many functions that can remain to done on a local basis.

MR. WIRTH: I quite agree, Jacoby.

MR. JACOBY: Even in cases where it might be more efficient for t federal government to perform certain functions such as building roads, it still worth a good deal of the added cost to leave those functions in t hands of the states and the localities, because to maintain a democracy need to train a lot of people in the procedures of democratic action.

MR. WIRTH: You mean to point out that these forty-eight states a little laboratories where the work is done. I should agree. But I do n think we need forty-eight little laboratories. We might have twelve efficie big laboratories. There is no reason for preserving the state boundaries some of these issues. Look at the obstructions that the states have put in one another's way, which have interfered with the war effort.

MR. JACOBY: Now you have put your finger on something important a something that the governors failed to mention. If they really wish further the war effort and if they really wish to help business enterprise aft the war, the states ought to get rid of some of these inspection laws a trucking laws that block enterprise.

MR. WIRTH: Precisely. Can't you and I agree on the proposition th those things ought to be done by the states which the states can best do a that those things that ought to be done by the national government are t things that the national government can best do?

REPORTER: Gentlemen, I was lighting my pipe while you got away fro me. I want to find out whether you agree, or disagree, that these minimu conditions of a decent human life should be imposed by the nation as a whe on every one of its subordinate communities, or should these minimum co ditions simply be offered.

MR. WIRTH: I do not like your word "imposed."

MR. JACOBY: I do not, either.

REPORTER: I take it back.

MR. WIRTH: As long as we have a democratic government through rep sentation in Congress, we are not imposing anything except with the fr consent of the majority. I think that the federal government ought to those things which need to be done. The Constitution states specifica what some of the things, that I think need to be done, are. Other things have had developing in the last hundred years.

REPORTER: You sound like a governor making a Fourth of July speech.

MR. WIRTH: No.

REPORTER: Coming back for a moment, should the federal government—the nation through the federal government—see to it that every child in this country gets a decent education whether or not the states can afford it?

MR. WIRTH: I think that the federal government ought to see to that.

MR. JACOBY: Both Wirth and I have agreed on that, Mr. Reporter. We do differ, I think, on the machinery for making that decision effective. My view is that the federal government should prescribe the minimum and then offer the states the amount of money they need to make the minimum effective, leaving the state free to perform the function and to climb up above the minimum as high as they want to go.

MR. WIRTH: My reply to your question, Mr. Reporter, is that the statement that the states are sovereign is an ancient myth, which is no longer borne out by present-day reality. There are many functions that the states could at one time have performed, as long as they were local, autonomous bodies far removed from one another, but which they no longer can perform effectively.

MR. JACOBY: I would not agree that the Constitution of the United States was a myth.

MR. WIRTH: I have not said that the Constitution was a myth.

MR. JACOBY: It provides for state sovereignty.

MR. WIRTH: I have said that the state lines are a myth.

REPORTER: I am interested in the statements by some of the governors we heard earlier on the ROUND TABLE that the great menace in America today is a national bureaucracy that threatens our freedom. Just what is this threat to freedom? What does that mean to the average, ordinary American citizen in Topeka, Kansas? Is the freedom of this citizen threatened by government, federal government control, or the extension of it? Is it protected by state control?

MR. JACOBY: These things are matters of degree. It seems to me that the freedom of the individual, residing in a certain state, to work out his own solutions to the problems in his region is threatened if the federal government seeks to take over the entire function.

MR. WIRTH: Let me make a footnote to this term "bureaucracy" that you used and that the governors used. I think that that is a smear word. I

do not think that there is any superiority in a state bureaucracy over federal bureaucracy. If we would just substitute the word "public servant" for "bureaucracy," we should be nearer the truth.

MR. JACOBY: There is this difference—that the federal bureaucrat is likely to be a fellow who is performing his functions a thousand miles from home, but the state bureaucrat is pretty close to his neighbors.

MR. WIRTH: Not in 1943, when you can get a poll of the nation's opinion in twenty-four hours and when you can have field representation of federal offices in every city and locality of the nation.

REPORTER: Here, gentlemen, is where we have another issue. We heard Governor O'Conor earlier say that local control provided a greater degree of economy and efficiency. Senator Taft told me the other day that, where the federal government gets into these detailed operations in connection with every citizen in the country, it makes a mess of them. Senator Byrd told me the same thing—that the closer these government operations are to local control the more efficiently they are done.

MR. WIRTH: Under our federal civil service most of the officials of the federal government are chosen from the states in which they happen to reside. They are still local people, and they can still be responsive to the needs of local people.

MR. JACOBY: We are getting pretty philosophical here. Can we go on to discuss the question of what the state governments can do now to prepare for the post-war period?

I was disappointed in the governors' discussion of this issue. It seems to me that one kind of plans the states ought to be making is to try to create a better environment for the expansion of business enterprise to provide the jobs in private enterprise that they all agree to be necessary. Why are the states considering such questions as getting rid of trade walls, inspection fees, and the licensing of trucks? It took a war in order to enable a truck to cross this country under a uniform system of trucking laws.

REPORTER: And it took a war in order to get the Okies into California...

MR. WIRTH: Precisely. One of the first things that the states might do to prepare themselves for a more efficient and wholesome life in the post-war period is to get rid of the obstacles that they themselves have created.

MR. JACOBY: Another thing that I think the states ought to do—and I believe Governor Bricker was correct in his statement here—is not to get rid of taxes now but to cooperate in the battle against inflation by keeping

the taxes that we now have. Furthermore, they should not permit the surpluses they are building up to be siphoned off by the cities and local governments, who in turn will cut their taxes.

MR. WIRTH: Wait a minute. I am not in favor of permanently settling the sales tax on the people of the states just because it was invented during the depression for an emergency purpose.

MR. JACOBY: I am not in favor of that either, and I did not say that.

MR. WIRTH: All right. The other thing that I am not in favor of is the states' retaining these funds, which are, on the whole, quite inadequate to meet the problems if there is real unemployment after the war, and avoiding siphoning back these funds to the cities. As a matter of fact, it seems to me in many cases that the cities are more important than the states in which they lie—such as Chicago in Illinois and New York in New York State.

MR. JACOBY: On this sales-tax issue, the point to look at now is the fact that any tax is a good tax because it takes money out of people's hands and prevents them from bidding up prices. I should certainly not advise the states to think about cutting taxes, even bad taxes like sales taxes.

MR. WIRTH: For the sake of avoiding inflation I would agree with you on that, but that still does not mean that inequitable taxes must be preserved.

REPORTER: On this question of specific plans for post-war public works and in connection with these big state surpluses we have now, we heard Governor Bricker, of Ohio, speak of highway construction. I interviewed Paul Hoffmann, president of Studebaker Corporation and chairman of the Committee for Economic Development. Mr. Hoffmann said that he did not think there was any real battle going on. We are trying to find out how much public works we need and how much of the job private enterprise can do.

But he pointed out that we have had a holiday during the war on very important public construction and that we should make blueprints now—a shelf of blueprints, he said—for necessary and constructive public works.

MR. WIRTH: I think what the governors say and what the other gentleman you have just quoted has said about making plans now is just pious rhetoric until we translate it into some working program. We have to plan now how to build these schools and these highways and where to build them. We have to provide now for the educational services and the health and welfare services. Unless part of this money that they are laying up is used for the planning and unless this planning in the states is coordinated as between the states and the federal government, it is no plan at all.

MR. JACOBY: I am afraid that we are paying far too much attention to this matter of state and federal public works. The problem after the war is more likely to be one of curbing a boom than of preventing a depression.

MR. WIRTH: Immediate problem, that is, of course?

MR. JACOBY: The problem for a number of years.

MR. WIRTH: That is possible.

MR. JACOBY: The problem of planning for state public works is one that we can easily exaggerate.

REPORTER: Am I to understand, then, that you think that the returning soldiers and the people who are demobilized out of war industries—that is, a total of something like thirty to forty million people—will be absorbed right away by private industry? Or will we have to have government support and will it have to be federal government support?

MR. JACOBY: Of course, the ten million men coming out of the army and the twenty million people coming out of war plants are not going to be absorbed immediately, in the sense of leaving one job today and getting another tomorrow. There will be a period of transition. It will have its creaks and groans, but, as Governor Saltonstall pointed out, there is enough money in the unemployment compensation fund in the state of Massachusetts to take care of unemployment for many years. The government's job there will be to cushion the shock.

MR. WIRTH: Wait a minute. That implies that Governor Saltonstall, or Governor Bricker, or any of the other governors know what their unemployment is going to be. I do not believe that they can know now what that figure will be.

MR. JACOBY: I am taking the Governor's figures. I presume he knows best.

MR. WIRTH: Yes, and it may turn out to be a drop in the bucket of what is actually required if there is real mass unemployment.

MR. JACOBY: You are quite right, but I think that mass unemployment is quite unlikely. Look at the situation we shall confront right after the war, assuming that we start converting to peace around 1945. We shall have at least a hundred billion dollars in savings, war bonds, and bank balances. We shall have fifty billion dollars of demands for goods that could not be satisfied during the war. There will be enormous demands on the part of foreign countries for railroad equipment and all kinds of capital goods that were destroyed by bombing. There will, in short, be a situation in which the

demands for the products of American industry will be extremely large. Once we get over this comparatively brief period of reconversion, the conditions for prosperity will be there.

REPORTER: This comparatively brief period of reconversion sounds like a difficult one in the light of what Walter Reuther told me. Reuther is one of the officials of the United Automobile Workers, which is the biggest union in America. Reuther's point was that, unless we have an over-all government plan immediately after the war, allocating priorities of materials to those companies which are making the necessities of life, the market is just going to be run away with by whoever gets there first and we shall have the manufacturers of gadgets and luxuries running the show.

MR. WIRTH: There are two other factors, also. One of them is that the government has a direct stake, through billions of dollars worth of investment, in the war plants themselves. The government owns them. The wise disposition of these plants is one of the most important immediate problems before government.

MR. JACOBY: Let us take a look at this second class of problems that the governors discussed—that is, the comparative roles that private enterprise and public enterprise should play in the post-war period.

There are three questions here. There is the question of the part that government should play in creating a stable and progressive economy; how government can provide an environment in which private business will be able to expand; a third very important question—assuming that we do get a favorable environment for individual enterprise—can the American private-enterprise system provide a satisfactory level of employment?

My answer to the first question is that the government has two functions here—the positive function of compensating for the inadequacies of the enterprise system in times when employment starts to drop, by providing jobs and public works, and the negative function of keeping the economic system free and competitive and preventing monopoly.

MR. WIRTH: But look at this situation. I agree with the fact that the government ought to provide compensatory employment if private industry is not able to do it, so as to come as near as possible to full employment. But suppose you leave it to each industry or each group of industries or each state or each city to make its own plans about what it is going to do with its war factories, where will you be?

REPORTER: Governor Saltonstall was telling us over the ROUND TABLE, a little while ago, about one company which had made a great post-war program for itself in Massachusetts.

Mr. Wirth: That was a very noble piece of exposition that the Governor gave, but I do not think that it has any relevance to reality whatsoever, because there may be hundreds of airplane companies, each one deciding to make, let us say, airplanes or washing machines, and the market may be glutted by these airplanes and washing machines.

Reporter: We are likely to get stuck with two automobiles in every garage.

Mr. Jacoby: I can imagine worse things than that. But, to get back to Wirth's question, it does not bother me nearly as much as it seems to bother him. The thing that we value in a free society is the ability to buy the things we want the most. We are most likely to get that class of consumer goods if we leave it to the decisions of individuals who are risking their own savings and their own stockholders' money rather than to trust to some central plan, administered from Washington.

Mr. Wirth: But we left it to private enterprise in the 1929, 1930, and 1935 period, and look where it brought us.

Mr. Jacoby: That's not a fair comparison, because in that period we did not have a good environment for business expansion, and part of the fault, of course, was leadership's—its failure to act courageously and beforehand.

Reporter: Mr. Reuther, of the Automobile Workers, insists that that period from 1929 to 1932 was the period in which the environment was provided entirely by business leadership, and still it could not open the factories.

Mr. Jacoby: That is not a correct statement. The problem was created by a number of things, which would take half an hour to explain here.

Mr. Wirth: We shall have to have another Round Table on that.

Mr. Jacoby: I am afraid so. But among other things I might mention the closure of world markets for world products. That was certainly not the responsibility of any individual American businessman or any worker.

Mr. Wirth: But the fact is that anybody who trusts to private enterprise to bring about this full employment and trusts to the individual states to make the plans with private enterprise for doing so is going to have a chaos in the United States. What we need is an over-all plan, coordinated by the national government working with private enterprise, that will maximize the productivity of private enterprise and maximize employment.

Mr. Jacoby: I do not know what you mean by an over-all plan. It seems to me that in the 1940's we are going to have a decade when private work

will be the sources of jobs, just as it seems that the thirties was a decade in which the public works provided the jobs.

MR. WIRTH: That is just a guess and a hope on your part, but there is nothing you can demonstrate on that.

MR. JACOBY: I have explained the reasons for my hope by pointing out the hundred billion dollars of savings and the Victory Day demands that will exist after the war for the products of enterprise.

REPORTER: I want to ask you where you stand on this question of the transitional period immediately after the war. Every one of the statesmen I interviewed—including men like Byrd, Taft, and Hoffmann, men who are in favor of as much private enterprise as possible—all agree that there has to be a great deal of government spending. Do both of you men agree on that?

MR. WIRTH: I agree that there ought to be as much private enterprise as possible and that the government ought to make it possible to have as much private enterprise as possible, consistent with the public interest. That means high incomes and full employment and a decent level of public service to the American people.

MR. JACOBY: I do not agree with the view that a great deal of public spending is going to be necessary after the war. As I have pointed out, it seems to me that there will be plenty of money in people's pockets to have a high level of private spending. For years after the war our economy is going to be as busy as can be, catching up and satisfying the demands that were created during the war. In that interim we can well afford to rely on private works.

MR. WIRTH: I am perfectly willing to rely on private works, under the watchful eyes of government, which will see that there are no monopolies created, that we get the lowest possible prices so that we shall have the benefits of our mass-production system (which we have never had in the past but could have in the future). I also want it provided that we, in any case, assure people of the minimum subsistence in accordance with the American standards of decent living.

REPORTER: One more question, gentlemen—Senator Bob La Follette of Wisconsin told me that, since reinvestment of privately earned savings is the bull-wheel of our economic system, we have to have government enterprise and we have to have government investment, because we now know that reinvestment ebbs and flows and that the long-term policy of this country

has to have an important place in it for government spending for constructive public works by both the states and the federal government.

MR. JACOBY: That is right. We never again should have a situation in which state works fall off when federal works expand. There must be some method of coordinating what they seek to do.

MR. WIRTH: Yes, I agree. When the governors complain about this "boondoggling" and "leaf-raking," they have no one but themselves and the rest of us in the nation to blame, because we were not prepared to meet this crisis when it did come. We must be prepared the next time.

REPORTER: On this issue of "The States and Post-war America," it seems to me that you two professors disagree with the four great governors that we heard earlier, but you also disagree with each other. Thank goodness that the ROUND TABLE audience is accustomed to disagreement rather than sweetness and light and an easy cure for the troubles of the world.

On the issue of federal versus state operations after the war, you, Jacoby, seem to feel that the states with all their shortcomings are still the best protection against over-all national bureaucracy and control and loss of freedom; while you, Wirth, seem to want to sacrifice some of our state and local freedom for the larger national freedom, which only the nation, which is so rich and so important, and not a variety of states can provide for every American citizen.

On the issue of private enterprise versus government enterprise, you, Jacoby, want as little as is necessary to encourage private enterprise, while you, Wirth, want as much as is necessary to keep what happened in 1929 from happening again.

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## *More on This Topic*


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# What Do *You* Think?

1. In your opinion what should the post-war task of the state governments include in the division of powers and responsibilities between the federal government and the states?
2. Do you agree that the provision of employment in America is and always has been the primary responsibility of private industry and private initiative? Should the governments, states and federal, have the responsibility in the future of providing full employment?
3. Granted that the government, both federal and state, provides a favorable environment for private enterprise, do you think that a satisfactory level of employment will be achieved? To what degree is the depression experience relevant to present predictions in regard to the success or failure of private enterprise when given a favorable environment?
4. In your opinion what is the validity and importance of each of the following arguments for and against the federal system? Arguments for the federal system:
   *a*) The states are a bulwark against usurpation.
   *b*) The states provide laboratories for governmental experimentation.
   *c*) The states are able to adapt governmental programs to the needs of different localities.
   *d*) The states provide administrative efficiency through decentralization.
   *e*) The states aid in the education of citizenry to make representative government work.

   Arguments against the federal system:
   *a*) The insistence on states' rights and great variations in the wealth and resources make the states a great obstacle to the establishment of nation-wide minimums in health, social security, education, etc.
   *b*) The appearance of state trade barriers.
   *c*) The tendency of freedom of commerce to place economic handicaps on progressive social legislation when enacted by any one state.
   *d*) Administrative weakness of states and failure to become experimental laboratories.
   *e*) The increasing power of the federal government and declining power of the states are evidence of a fundamental failure by the states to solve important problems.

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| Evansville, Ind. | WGBF | 1280 | Oklahoma City, Okla. | WKY | 93 |
| Fargo, N.D. | WDAY | 970 | Omaha, Neb. | WOW | 59 |
| Fort Wayne, Ind. | WOWO | 1190 | Rochester, Minn. | KROC | 134 |
| Hattiesburg, Miss. | WFOR | 1400 | St. Cloud, Minn. | KFAM | 145 |
| Hibbing, Minn. | WMFG | 1240 | Shreveport, La. | KTBS | 148 |
| Houston, Texas | KPRC | 950 | Sioux Falls, S.D. | KSOO | 114 |
| Indianapolis, Ind. | WIRE | 1430 | Springfield, Mo. | KGBX | 126 |
| Kansas City, Mo. | WDAF | 610 | Terre Haute, Ind. | WBOW | 123 |
| Kingsport, Tenn. | WKPT | 1400 | Tulsa, Okla. | KVOO | 117 |
| La Crosse, Wis. | WKBH | 1410 | Virginia, Minn. | WHLB | 140 |
| Little Rock, Ark. | KARK | 920 | Wichita, Kan. | KANS | 124 |
| **12:00 M. MOUNTAIN WAR TIME** | | | | | |
| Albuquerque, N.M. | KOB | 770 | Phoenix, Ariz. | KTAR | 62 |
| Billings, Mont. | KGHL | 790 | Pocatello, Ida. | KSEI | 93 |
| Boise, Ida. | KIDO | 1380 | Safford, Ariz. | KGLU | 145 |
| Bozeman, Mont. | KRBM | 1450 | Salt Lake City, Utah | KDYL | 132 |
| Butte, Mont. | KGIR | 1370 | Tucson, Ariz. | KVOA | 129 |
| Denver, Colo. | KOA | 850 | Twin Falls, Ida. | KTFI | 127 |
| Helena, Mont. | KPFA | 1240 | Yuma, Ariz. | KYUM | 124 |
| **11:00 A.M. PACIFIC WAR TIME** | | | | | |
| Bakersfield, Cal. | KERN | 1410 | Sacramento, Cal. | KFBK | 153 |
| Fresno, Cal. | KMJ | 580 | San Diego, Cal. | KFSD | 60 |
| Los Angeles, Cal. | KFI | 640 | San Francisco, Cal. | KPO | 68 |
| Medford, Ore. | KMED | 1440 | Seattle, Wash. | KOMO | 95 |
| Portland, Ore. | KGW | 620 | Spokane, Wash. | KHQ | 59 |
| **STATIONS CARRYING ROUND TABLE BY TRANSCRIPTION** | | | | | |
| Buffalo, N.Y. | WBEN | 930 | Minneapolis and St. Paul, Minn. | KSTP | 150 |
| Columbus, Ohio | WCOL | 1230 | St. Louis, Mo. | KSD | 55 |
| Milwaukee, Wis. | WTMJ | 620 | Schenectady, N.Y. | WGY | 81 |
| Minneapolis, Minn. | WLB | 770 | | | |
| **BY TRANSCRIPTION VIA SHORT WAVE** | | | | | |
| Anchorage, Alaska | KFQD | 790 | Juneau, Alaska | KINY | 145 |
| Fairbanks, Alaska | KFAR | 610 | Ketchikan, Alaska | KTAN | 93 |

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A University of Chicago Round Table Broadcast

JUNE 27, 1943

# Prices and Your Pocketbook

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**MILTON FRIEDMAN,** National Bureau of Economic Research

**DONALD MONTGOMERY,** Consumer Counsel, United Automobile Workers of America

**GEORGE STIGLER,** Department of Economics, University of Chicago

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## SUGGESTED READINGS

BAILEY, NATHAN, "The New Fight against Inflation," *Current History*, May, 1943.

"Black Markets," *Nation*, June 5, 1943.

KENT, GEORGE, "Clamp Down on the Black Market Now!" *Reader's Digest*, June, 1943.

"Price-Control Crisis: Effect of Too Many Dollars," *United States News*, June 4, 1943.

"Subsidies and the Rollback," *New Republic*, May 17, 1943.

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